Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network

Required Report - public distribution

Date: 10/1/2001

GAIN Report #BR1038

Brazil

Sugar

Semi-Annual

2001

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Report Highlights: ATO/São Paulo forecasts MY 2001/02 sugarcane production at 272 MMT, a 6 percent increase compared to the previous crop. Sugar production is projected at 18.5 MMT, raw value, up 1.4 MMT. Sugar exports for MY 2001/02 are projected at 9.5 MMT, raw value, up 1.8 MMT relative to last season. Favorable sugar prices in the international market as well as the further devaluation of the Brazilian currency has generated higher sugar exports than previously anticipated. Brazilian alcohol exports for MY 2001/02 are projected between 300 and 400 million liters.

Includes PSD changes: Yes
Includes Trade Matrix: No
Semi-Annual Report
São Paulo [BR3], BR

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Executive Summary

ATO/São Paulo forecasts total MY 2001/02 (May-Apr) sugarcane production at 272 MMT, a 6 percent increase compared to the revised 2000/01 crop figure. The MY 2001/02 Total Reduced Sugar (TRS) breakdown for sugar and alcohol is projected at 48.7/51.3 percent, compared to 47.2/52.8 percent for MY 2000/01, showing the present increased emphasis to produce sugar, a result of favorable prices in the domestic and international markets. Sugar production for MY 2001/02 is projected at 18.5 MMT, raw value, up 1.4 MMT from last season. The MY 2001/02 sugar export estimate is 9.5 MMT, raw value, up 1.8 MMT relative to MY 2000/01. Favorable sugar prices in the international market as well as the further devaluation of the Brazilian currency, the Real, has stimulated higher sugar exports than previously expected. Brazilian alcohol exports for MY 2001/02 are projected between 300 and 400 million liters. The current alcohol content in the gasoline-alcohol mixture is set at 22 percent, down from the earlier anticipated 24 percent.

PS&D Table

PSD Table						
Country	Brazil					
Commodity	Sugar Cane for Centrifugal				(1000 HA)(1000 MT)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin	05/1999		05/2000		05/2001	
Area Planted	4,700	4,700	4,700	4,700	4,800	4,800
Area Harvested	4,650	4,650	4,650	4,650	4,550	4,550
Production	305,000	305,000	258,000	256,500	274,500	272,000
TOTAL SUPPLY	305,000	305,000	258,000	256,500	274,500	272,000
Utilization for Sugar	142,000	142,000	120,500	121,000	125,000	132,000
Utilizatn for Alcohol	163,000	163,000	137,500	135,500	149,500	140,000
TOTAL UTILIZATION	305,000	305,000	258,000	256,500	274,500	272,000

PSD Table						
Country	Brazil					
Commodity	Centrifugal Sugar				(1000 MT)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin	05/1999		05/2000		05/2001	
Beginning Stocks	1,010	1,010	1,000	710	1,163	860
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	20,390	20,100	17,113	17,100	17,750	18,500
TOTAL Sugar Production	20,390	20,100	17,113	17,100	17,750	18,500
Raw Imports	0	0	0	0	0	0
Refined Imp.(Raw Val)	0	0	0	0	0	0
TOTAL Imports	0	0	0	0	0	0
TOTAL SUPPLY	21,400	21,110	18,113	17,810	18,913	19,360
Raw Exports	7,400	7,400	6,100	6,100	7,200	7,400
Refined Exp.(Raw Val)	3,900	3,900	1,600	1,600	1,800	2,100
TOTAL EXPORTS	11,300	11,300	7,700	7,700	9,000	9,500
Human Dom. Consumption	9,100	9,100	9,250	9,250	9,450	9,450
Feed Dom. Consumption	0	0	0	0	0	0
TOTAL Dom. Consumption	9,100	9,100	9,250	9,250	9,450	9,450
Ending Stocks	1,000	710	1,163	860	1,913	410
TOTAL DISTRIBUTION	21,400	21,110	18,113	17,810	20,363	19,360

Production

Sugarcane

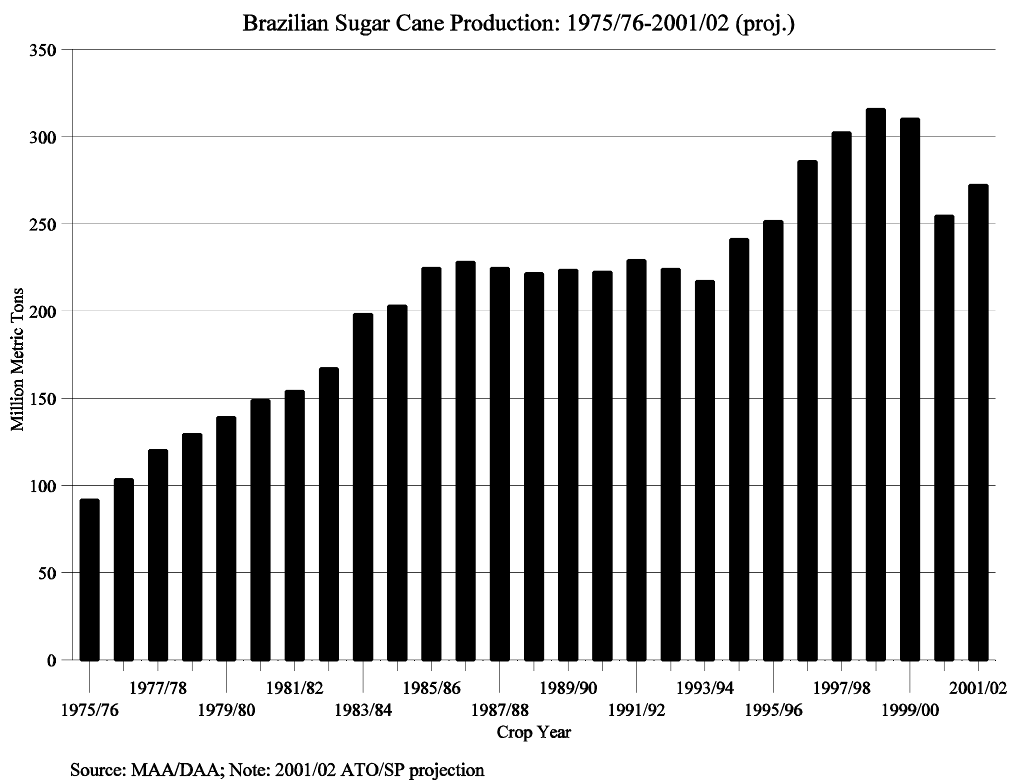
Total Brazilian sugarcane production for MY 2001/02 (May-Apr) is projected at 272 million metric tons (MMT), up 15.5 MMT from the revised estimate for last season. The center-south (CS) region is expected to contribute 225 MMT of sugarcane, up 9 percent from MY 2000/01, due to favorable weather conditions, better crop management and higher replanting rate, a result of improved prices for both sugar and alcohol. The CS harvest season is moving along well and is likely to be over in November. The north-northeastern (NNE) states have just started the harvest and crush season and are anticipated to yield 47 MMT, down 2.5 MMT relative to MY 2000/01, due to dry weather. Total Reducing Sugar (TRS) production is estimated at 37.78 MMT, up 1.79 MMT, 5 percent, from the previous season. No industry forecast regarding the 2002/03 crop in the CS states has been made, but preliminary indications are for increased cane production relative to the current crop.

The following tables show monthly sugarcane crush data for the state of São Paulo and the CS region for the 1997/98 to 2001/02 crops (Apr-Mar), as reported by the Sugar and Alcohol Millers Association of São Paulo State (UNICA). Cumulative sugarcane crushed in the CS states for current crop is 7 percent higher compared to last season.

Sugarcane Crush in the State of São Paulo (000 MT)					
Month	97/98	98/99	99/00	00/01	01/02
April	3,500.1	3,307.1	8,667.5	202.0	449.3
May	19,577.8	19,944.3	27,113.4	13,283.6	12,396.2
June	22,407.2	30,943.3	27,242.1	28,078.0	27,777.8
July	30,198.5	30,120.6	30,382.0	27,916.2	30,665.1
August	30,450.1	27,395.0	29,884.1	28,144.7	--
September	26,662.5	27,977.4	25,804.0	21,334.2	--
October	24,806.4	23,927.5	27,145.5	21,513.7	--
November	17,142.9	25,382.9	14,413.3	7,151.1	--
December	5,851.5	9,417.1	3,541.1	602.8	--
January	914.1	898.6	42.1	0.0	--
Cumulative	181,511.0	199,313.9	194,235.0	148,226.2	71,288.4
Source: Sugar and Alcohol Millers Association of São Paulo State (UNICA).					

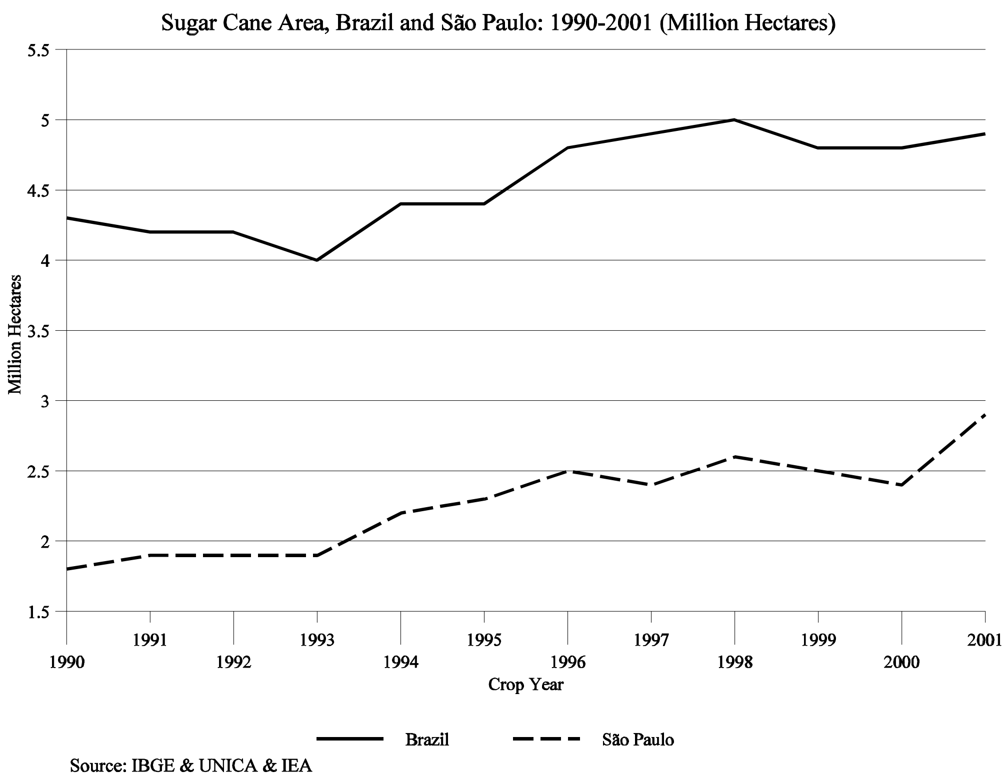
Sugarcane Crush in Center-Southern Brazil (000 MT)					
Month	97/98	98/99	99/00	00/01	01/02
April	5,324.3	4,993.4	11,310.4	737.4	2,158.5
May	27,573.0	27,407.2	35,232.3	18,228.4	19,319.1
June	31,873.1	41,436.1	36,574.3	38,218.9	38,674.0
July	42,264.4	41,642.0	41,871.4	39,465.3	43,476.3
August	42,281.9	37,769.6	43,698.0	38,174.8	--
September	36,485.4	37,522.6	36,412.3	31,397.8	--
October	33,566.6	32,927.2	35,739.4	28,674.8	--
November	21,876.4	31,805.6	18,180.0	10,503.7	--
December	7,530.3	12,620.7	4,701.2	1,667.7	--
January	916.5	1,398.6	250.4	0.0	--
Cumulative	249,691.9	269,523.0	263,969.6	207,068.8	103,628.0
Source: Sugar and Alcohol Millers Association of São Paulo State (UNICA).					

The graph below shows a historical series for sugarcane production since MY 1975/76. Note that, even with relative recovery in production for MY 2001/02, total Brazilian production will not reach the 1998/99 record.



Area

Estimates for MY 2000/01 and MY 2001/02 sugarcane area remain unchanged. The graph below shows area for sugarcane production according to the Brazilian Institute of Geography and Statistics (IBGE), UNICA and the Agricultural Economics Institute (IEA) of the State of São Paulo Secretariat of Agriculture.

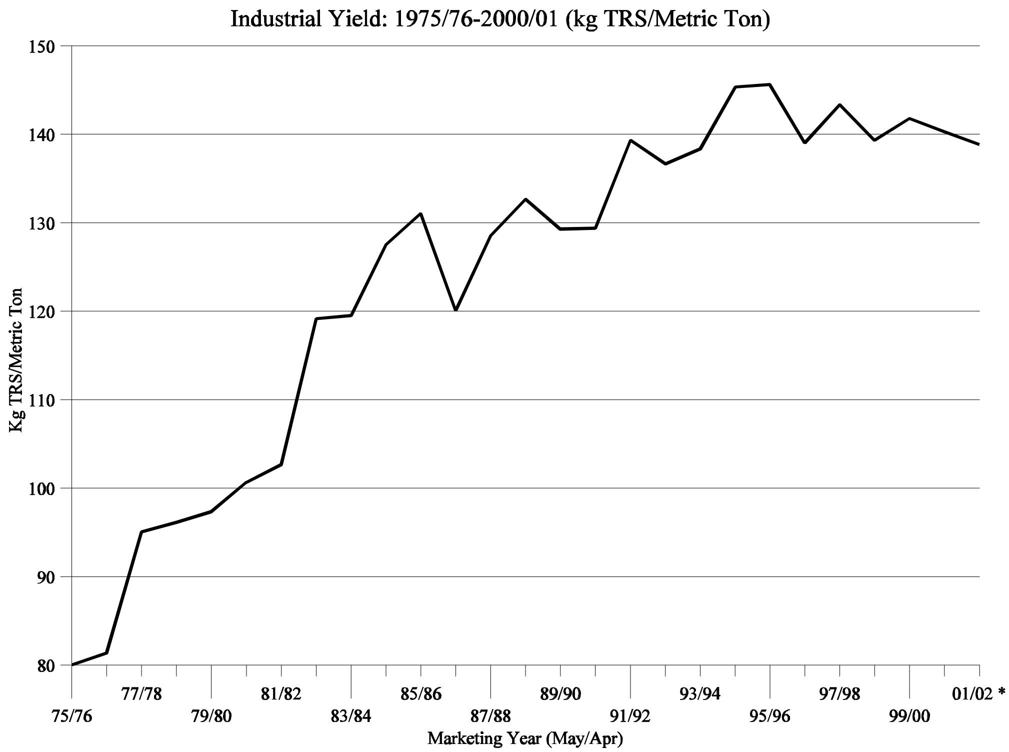


The table below shows major mergers and acquisitions in the sugar/alcohol sector for the past four years. At least 20 mills, mainly in the CS and most as of 2000, were merged or acquired by larger groups, according to private consultants. Approximately R$1 billion were involved in this process.

Major Mergers and Acquisitions in the Sugar/Alcohol Sector			
Target Mill	Location	Year	Buying company
São Geraldo	Sertaozinho, SP	1997	Cia. Energetica Sta. Elisa
Santo Alexandre	Mococa, SP	1997	Usina Ipiranga
Santa Olinda	Sidrolandia, MS	1997	Grupo J. Pessoa
Adelaide	Dois Corregos, SP	1998	Usina da Barra
Iracema	Pradopolis, SP	1999	Usina São Martinho
Sanagro	S.J. Rio Preto, SP	1999	Grupo J. Pessoa
Rafard	Rafard, SP	2000	Grupo Cosan
Amália/Sta. Rosa	Sta.Rosa Viterbo, SP	2000	Usina da Pedra
Benalco	Bento de Abreu, SP	2000	Grupo J. Pessoa
Delta	Delta, MG	2000	Grupo Carlos Lyra
Cresciumal	Leme, SP	2000	Louis Dreyfus
Vale Rio Turvo	Onda Verde, SP	2000	Jose Duarte S. Barros
Alcovale	Aparecida Taboado, MS	2001	Unicalco S.A.
Portobelo	Florianopolis, SC	2001	Glencore
Acucareira Serra	Ibate, SP	2001	Grupo Cosan
Diamante	Jau, SP	2001	Grupo Cosan
Univalem	Valparaiso, SP	2001	Grupo Cosan and FDA
Agua Limpa	Monte Aprazivel, SP	2001	Grupo Petribu
Guarani	Olimpia, SP	2001	Belghin-Say
São Jose	Rio das Pedras, SP	2001	Grupo Antonio Farias
Luciana	Lagoa da Prata, MG	2001	Louis Dreyfus
Source: Guarita and Associates and market. Note: SP=São Paulo, MG=Minas Gerais, MS=Mato Grosso do Sul, SC=Santa Catarina.			

Yields

The average yield for sugarcane production for MY 2001/02 is estimated at 59.8 metric tons(MT)/hectare (ha.), up 4.6 MT/ha. compared to last season, due to better weather conditions and improved crop management. The industrial yield is projected at 138.9 kg of TRS/MT of sugarcane, down slightly from last crop – 140.3 kg of TRS/MT. The graph below shows historical industrial yields measured by TRS per metric ton of sugarcane since MY 1975/76.



Source: UNICA, ATO/SP estimates for 2000/01 and 2001/02

Sugar and Alcohol

The MY 2001/02 TRS breakdown for sugar and alcohol production is projected at 48.7/51.3 percent, compared to 47.2/52.8 percent for MY 2000/01, showing the present tendency to produce sugar, rather than alcohol, as a result of favorable domestic and international market sugar prices. In addition, the Brazilian Government set the alcohol content in the gasoline-alcohol mixture at 22 percent as of May 31, 2001, instead of the 24 percent initially expected, thereby reducing the quantity of TRS needed for alcohol production. As a consequence, ATO/São Paulo projects total Brazilian sugar production at 18.5 MMT, raw value, an 8 percent increase compared to last season. The CS states should account for 14.9 MMT, raw value, with the remaining 3.6 MMT coming from the NNE. Information from UNICA reports that up to mid-August, 51 percent of total sugarcane had been converted to sugar in the CS producing region.

According to the Brazilian Ministry of Agriculture, Livestock and Supply (MAPA) total alcohol production for the 2000/01 crop is reported at 10.49 billion liters – 5.58 billion liters of anhydrous alcohol and 4.91 billion liters of hydrated alcohol. Total alcohol production for MY 2001/02 is projected at 10.7 billion liters – 5.95 billion liters of anhydrous alcohol and 4.75 liters of hydrated alcohol, assuming the 22/78 percent alcohol/gasoline blend does not change.

According to industry contacts, if the projected TRS breakdown for sugar/alcohol remains, a 400 to 500 million liter alcohol deficit in the CS is likely. Last August, the producing sector guaranteed the Government of Brazil (GOB) that such a deficit would not occur, in spite of more TRS being diverted to sugar in recent months. The sugar/alcohol industry does not appear concerned about this issue, as some alcohol may be transferred from the NNE, alcohol stocks held by Petrobras – the GOB fuel company – may be used, and the 2002/03 crop could start earlier than usual, supplying part of the projected alcohol requirement.

The following tables show monthly sugar production for the state of São Paulo and the CS region for the 1997/98 to 2001/02 crops (Apr-Mar), as reported by UNICA. Cumulative sugar production for the 2001/02 crop is reported 10 percent above cumulative production for 2000/01.

Sugar Production in the State of São Paulo (MT, Tel Quel, Apr/Mar)					
Month	97/98	98/99	99/00	00/01	01/02
April	99,765	138,645	406,791	5,413	21,120
May	799,583	1,003,522	1,606,628	791,387	696,427
June	910,503	1,658,469	1,766,064	1,740,032	1,802,011
July	1,410,451	1,876,807	2,076,851	1,876,786	2,245,231
August	1,548,913	1,664,943	2,181,023	1,863,854	--
September	1,517,579	1,875,937	1,883,064	1,408,147	--
October	1,353,326	1,465,678	1,943,423	1,491,660	--
November	769,781	1,555,440	999,561	464,352	--
December	236,659	430,622	187,934	29,757	--
January	(17,840)	14,216	(33)	0	--
Cumulative	8,628,720	11,684,279	13,051,306	9,671,388	4,764,789
Source: Sugar and Alcohol Millers Association of São Paulo State (UNICA).					

Sugar Production in Center-Southern Brazil (MT, Tel Quel, Apr/Mar)					
Month	97/98	98/99	99/00	00/01	01/02
April	135,655	192,555	544,942	25,258	58,258
May	1,088,324	1,318,881	2,032,230	1,017,346	1,032,988
June	1,229,731	2,169,685	2,270,956	2,229,577	2,342,597
July	1,884,058	2,481,906	2,732,482	2,521,123	2,946,675
August	2,074,203	2,200,853	2,881,204	2,487,751	--
September	1,982,392	2,359,148	2,518,834	1,830,899	--
October	1,708,634	1,884,441	2,461,466	1,856,717	--
November	912,213	1,859,532	1,176,672	602,246	--
December	279,590	559,149	227,361	60,931	--
January	(16,543)	25,719	5,205	0	--
Cumulative	11,278,257	15,051,869	16,851,352	12,631,848	6,380,518
Source: Sugar and Alcohol Millers Association of São Paulo State (UNICA).					

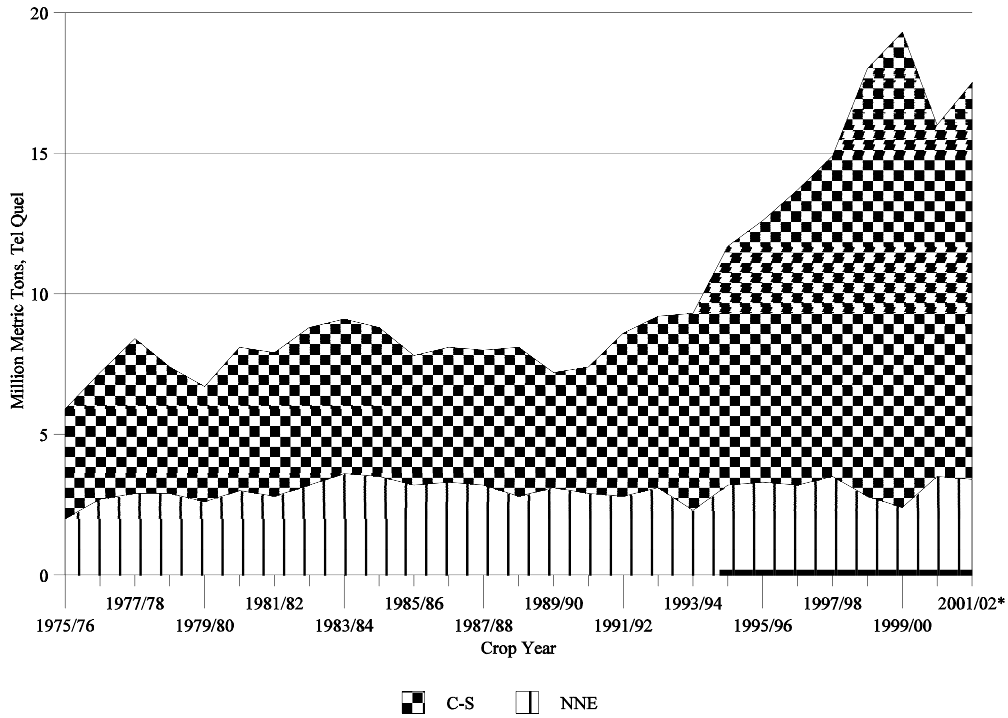
The table below shows official sugarcane crush data, sugar and alcohol (anhydrous and hydrated) production by state for the 2000/01 crop year, as reported by MAPA. Note that the official CS and NNE crop years are April-

March and September-August, respectively. The figures show cumulative figures through June 1.

Cane, Sugar and Alcohol Production by State and Region: 2000/01 Crop (000 MT and Million Liters)					
			Alcohol		
State/Region	Cane	Sugar	Total	Anhydrous	Hydrous
Alagoas	23,996	1,975.8	686.0	395.9	290.1
Amazonas	187	11.9	3.9	--	3.9
Bahia	1,921	145.7	48.5	28.9	19.6
Ceara	66	5.4	0.8	--	0.8
Maranhão	799	10.2	46.9	38.9	8.0
Pará	340	--	27.4	12.2	15.2
Paraiba	3,594	74.2	218.4	108.5	109.9
Pernambuco	14,368	1,117.6	296.6	165.0	131.6
Piauí	248	--	16.6	8.4	8.2
Rio Grande do Norte	2,388	134.8	93.8	32.8	61.0
Sergipe	1,414	71.8	58.6	21.5	37.2
NNE	49,321	3,547.4	1,497.5	812.1	685.4
Espírito Santo	2,567	45.5	150.9	99.5	51.4
Goiás	7,164	397.4	316.4	140.6	175.9
Minas Gerais	10,711	619.7	489.2	280.4	208.8
Mato Grosso do Sul	6,521	231.7	314.8	139.2	175.6
Mato Grosso	8,670	369.5	464.3	268.6	195.7
Paraná	18,937	979.9	782.1	256.6	525.5
Rio de Janeiro	3,611	279.8	91.0	53.0	37.9
Rio Grande do Sul	52	--	3.0	--	3.0
São Paulo	146,970	9,542.4	6,378.6	3,528.7	2,849.9
C-S	205,203	12,466.0	8,990.3	4,766.6	4,223.7
TOTAL	254,525	16,013.3	10,487.8	5,578.7	4,909.1
Source: MAPA, Sugar and Alcohol Department, 06/01/01					

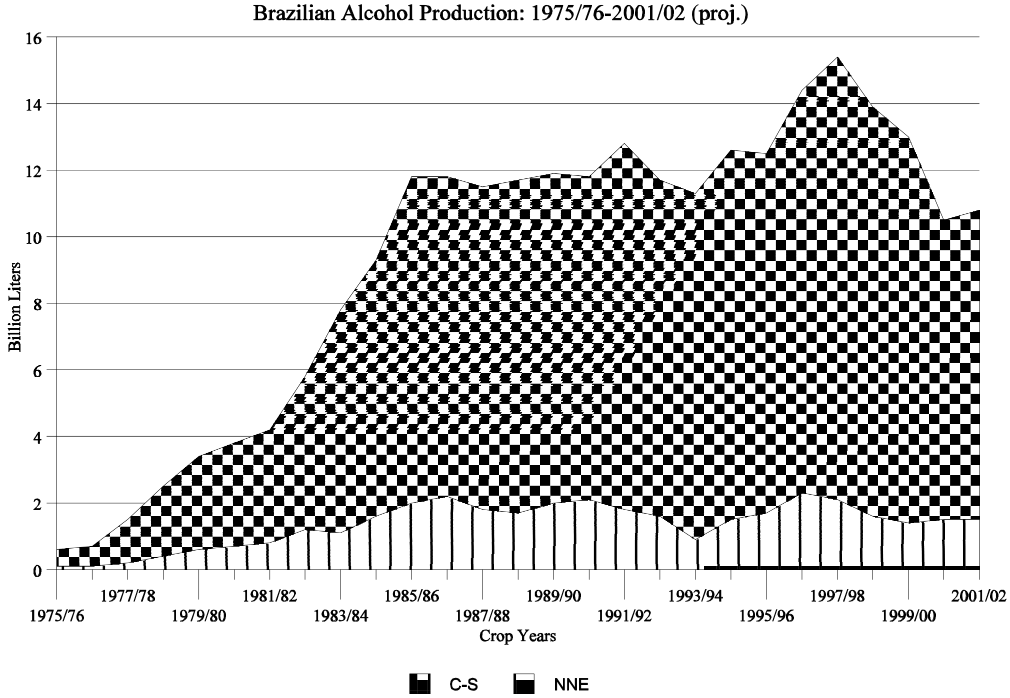
The graphs below shows a historical series for sugar and alcohol production since MY 1975/76, with the new crop projection.

Brazilian Sugar Production: 1975/76-2000/01 (proj.)



Source: UNICA, MAA/DAA / Note: ATO/Sao Paulo projection for 2001/02

Brazilian Alcohol Production: 1975/76-2001/02 (proj.)



Source: UNICA, MAA/DAA / ATO/Sao Paulo projection for 2001/02

Sugarcane, Sugar and Alcohol Prices in the Domestic Market

According to the State of Sao Paulo Sugarcane, Sugar and Alcohol Growers Council (CONSECANA), the average sugarcane price for May-June 2001 was R$0.2029 per kg of TRS, or approximately R$28 per ton of sugarcane. The Crystal Sugar Index released by the College of Agriculture "Luiz de Queiroz" (ESALQ) follows. The Index tracks crystal sugar prices in the domestic spot market. The table shows alcohol prices in the domestic market since 1998. Note that the drop in alcohol prices in the beginning of the season, as opposed to steady, strong sugar prices through the 2001/02 season, partially explains the direction of TRS to sugar production in the initial months of the CS harvest. Price equivalence for late June among different sugarcane products are also shown below. Market prices for the period are in bold and show a clear preference for sugar production for export markets. However, the downward movement in international sugar prices since August 2001 could realign the production mix and more TRS may be directed to alcohol.

Sugar Prices in the Domestic Market (Real (R$), 50kg/bag, including tax).											
Period	1997	1998	1999	2000	2001	Period	1997	1998	1999	2000	2001
January	n/a	15.74	11.33	19.04	25.01	July	12.70	11.44	9.83	21.43	23.66
February	n/a	15.86	12.05	19.81	23.28	August	12.98	11.56	10.32	25.42	22.81
March	n/a	16.35	11.80	18.61	23.36	September	13.93	11.41	14.49	23.60	23.53
April	n/a	18.32	9.68	18.63	24.81	October	14.93	9.73	16.23	24.16	--
May	13.80	15.46	8.57	16.09	24.06	November	15.36	10.31	15.70	24.64	--
June	12.90	12.76	8.94	18.86	23.44	December	15.32	11.12	18.52	23.80	--
Source: USP/ESALQ/CEPEA; Note: September 2001 price refers to Sep. 14.											

Fuel Alcohol Prices: State of São Paulo (R$/000 liters).								
	Anhydrous				Hydrated			
Month	1998	1999	2000	2001	1998	1999	2000	2001
January	n/a	297.32	458.85	706.17	n/a	413.40	549.72	775.65
February	n/a	292.60	456.63	685.22	n/a	250.29	549.49	724.80
March	n/a	271.70	463.37	634.43	n/a	227.60	547.88	702.94
April	n/a	238.56	472.14	605.27	n/a	176.55	539.22	718.45
May	364.20	200.67	467.03	575.60	413.40	165.32	525.20	688.92
June	363.20	262.64	472.84	571.12	413.40	213.76	525.24	676.63
July	356.00	308.65	635.34	594.72	413.40	226.59	702.03	679.02
August	350.70	297.61	679.71	623.85	413.40	224.53	756.22	691.50
September	331.60	324.99	654.71	625.36	413.40	328.19	744.43	694.97
October	292.30	374.57	654.50	--	413.40	394.59	734.63	--
November	256.00	428.22	683.81	--	413.40	518.81	767.25	--
December	259.80	452.71	706.94	--	413.40	539.44	789.65	--
Source: USP/ESALQ/CEPEA; Note: September 2001 prices refer average price between Sep. 10-14; Hydrated prices include 25 percent internal movement tax (ICMS).								

Price Equivalence - prices paid for producers, Ribeirao Preto region, state of São Paulo										
Anhydrous alcohol - R$/M^3 (including PIS, COFINS, not including ICMS)										
538.04	**564.94**	**591.84**	618.74	645.65	672.55	699.45	726.35	753.25	780.16	807.06
Hydrated Alcohol - R$/M^3 (including PIS, COFINS and ICMS)										
672.74	706.38	740.01	773.65	807.29	840.93	874.56	908.2	941.2	975.47	1009.11
Crystal Sugar for the domestic market - R$/50 kg bag (including, PIS, COFINS and 7% ICMS)										
20.19	21.14	22.09	23.04	**23.99**	24.93	25.88	26.83	27.78	28.73	29.68
VHP Sugar for export market - US$ cents/lb - FOB price, Port of Santos										
6.56	6.83	7.1	7.37	7.65	7.92	8.19	8.46	**8.74**	**9.01**	9.28
Source: Datagro Note: Price equivalence should be read for each column. Prices in bold refer to market prices at the end of June, 2001. Exchange rate = R$2.40/US$1. PIS and COFINS are domestic social taxes, while ICMS is the domestic movement tax. VHP=Very high polarity. M^3 (cubic meter)=1000 liters or 264.17 gallons (US).										

Consumption

Domestic sugar consumption for MY 2000/01 and MY 2001/02 remains unchanged at 9.25 and 9.45 MMT, raw value, respectively. Despite international price factors, domestic sugar demand is the top priority for local sugar/alcohol producers, followed by domestic alcohol demand and sugar for export.

Trade

Sugar Exports

The total sugar export estimate for MY 2000/01 remain unchanged at 7.7 MMT, raw value. The CS contributed 5.75 MMT, and the NNE accounted for 1.95 MMT. Raw sugar exports continue to dominate the export mix. The ATO/São Paulo MY 2001/02 sugar export projection has been revised upward to 9.5 MMT, up 1.1 MMT from the previous projection, and up 1.8 MMT relative to MY 2000/01. Favorable sugar prices in the international market as well as the further devaluation of the Brazilian currency, the Real, has generated higher sugar exports than previously expected. According to post contacts, the flow of sugar exports coming from the CS has been strong and should drop sharply by the end of the year. The drop in international sugar prices since August 2001, as well as expectations for a larger world supply in 2002, stimulated sugar mills to anticipate and set sugar export contracts for the next marketing year. According to press reports, over 50 percent of the expected export volume for MY 2002/03 has already been committed.

The following tables show Brazilian sugar exports by destination for MY 2000/01 (May-Apr) and MY 2001/02 (May-Jul), as reported by the Brazilian Secretariat of Foreign Trade (SECEX).

Brazilian Sugar Exports by Country of Destination. (NCM 1701.11.00, MT, Tel Quel, US$000 FOB)				
	2000/01 1/		2001/2002 2/	
Country	Quantity	Value	Quantity	Value
Russia	2,008,535	394,840	668,398	136,131
UAE	356,597	61,490	34,581	6,839
Romania	339,590	58,144	135,609	27,718
Morocco	319,247	59,788	40,509	8,064
Iran	285,846	56,040	35,900	7,114
Saudi Arabia	269,190	42,020	77,350	15,389
Pakistan	261,136	54,358	0	0
Canada	173,000	28,095	95,920	19,078
United States	151,273	53,591	78,544	28,216
Singapore	134,520	24,193	1,250	280
Nigeria	128,100	20,695	47,000	9,466
Others	482,163	89,594	161,253	33,373
Total	4,909,196	942,849	1,376,315	291,667

Source: Brazilian Department of Foreign Trade (SECEX)
Note: Numbers may not add due to rounding.
1/ May-April; 2/ May-July.

Brazilian Sugar Exports by Country of Destination. Sugar, Others (NCM 1701.99.00, MT, Tel Quel, US$000 FOB)				
	2000/01 1/		2001/2002 2/	
Country	Quantity	Value	Quantity	Value
Nigeria	570,800	122,486	155,100	34,842
UAE	426,188	96,376	54,375	11,906
Yemen	257,400	54,634	84,000	18,915
Egypt	217,272	46,858	174,346	39,072
Morocco	104,000	21,235	24,182	5,190
Somalia	82,800	18,536	46,000	10,608
Bangladesh	72,500	15,416	0	0
Gambia	57,000	13,556	49,000	11,042
Algeria	56,000	10,809	0	0
Saudi Arabia	42,000	9,270	40,490	8,720
United States	4,084	1,157	3,352	1,469
Others	414,549	95,392	208,355	48,096
Total	2,304,594	505,726	839,201	189,861
Source: Brazilian Department of Foreign Trade (SECEX) Note: Numbers may not add due to rounding. 1/ May-April; 2/ May-July.				

Alcohol Exports

According to post contacts, Brazil should export 300 to 400 million liters of alcohol during MY 2001/02. Brazil has restarted exports of industrial alcohol to Japan and Korea. The product is reprocessed at destination for use by the distilled beverage and pharmaceutical sectors. Brazil supplied 66 percent of total Japanese and Korean needs prior to 1989. The domestic alcohol crisis of the 1989-early 1990's period caused the curtailment of those exports. The CBI (U.S. government’s Caribbean Basis Initiative) agreement, which exempts U.S. alcohol imports from the Caribbean from payment of the US$0.54 per gallon import tariff, has also encouraged Brazilian alcohol exports to that region. In addition, the steady, strong devaluation of the Brazilian currency has also increased Brazilian price competitiveness in the international market.

A lot has been reported about the Brazilian alcohol supplying the likely U.S. demand for the product, especially after the banning of MTBE in California. Press reports state that Brazil could eventually export 1 billion liters to the U.S. However, this scenario is unlikely to occur in the near-term due to the US$0.54 per gallon import tariff, which impedes Brazilian exports to the U.S. market.

Brazilian producers contend their sugarcane-based product could complement U.S. mid-western corn-based ethanol supplies. Brazil can produce alcohol with the specifications required by the Californian fuel industry and supply that sector in a complementary manner as U.S. supply-demand factors dictate. Nevertheless, their willingness to commit TRS supplies to alcohol for the U.S. market will depend on the volume needed, domestic market considerations and price.

Local sector analysts report that Brazilian alcohol exports to the U.S. could eventually occur in special situations depending on relative alcohol prices in Brazil and the U.S., and on the exchange rate. It will be unfeasible for Brazilians to supply alcohol to the U.S. market if the export price is below the price of the domestic market. Such a situation could leave the Brazilian sector exposed to American companies opening an anti-dumping process against Brazil. Currently, the alcohol export prices to the U.S. would have to be about R$450 per cubic meter ($M^3$), based on the current U.S. alcohol price, while domestic prices are over R$500/$M^3$.

Stocks

ATO/São Paulo estimates ending stocks for MY 2001/02 at 410,000 mt, raw value, down 450,000 mt from revised ending stocks for previous season.

Policy

The Brazilian Government set total alcohol content in the gasoline at 22 percent as of May 31, 2001. The percentage was set by Presidential Decree, which also specified the range within which the alcohol content can vary – 20 to 24 percent. The actual alcohol percentage in the gasoline is determined within the Alcohol Interministerial Committee (CIMA) comprised of representatives of the Ministry of Agriculture Livestock and Supply (MAPA), Ministry of Finance, the Ministry of Mines and Energy ,and the Ministry of Development Industry and Commerce (MDIC). There are no reports that the GOB will change the percentage again this season. The producing sector guaranteed the GOB that there will be enough alcohol supply to meet current anticipated domestic demand.

Exchange Rate

Exchange Rate (R$/US$1.00 - official rate, last day of month)					
Month	1997	1998	1999	2000	2001
January	1.05	1.12	1.92	1.80	1.97
February	1.05	1.13	2.03	1.77	2.04
March	1.06	1.14	1.77	1.75	2.16
April	1.06	1.14	1.66	1.81	2.22
May	1.07	1.15	1.72	1.82	2.36
June	1.08	1.16	1.77	1.80	2.30
July	1.08	1.16	1.79	1.78	2.43
August	1.09	1.18	1.81	1.82	2.55
September	1.10	1.19	1.92	1.84	2.67
October	1.10	1.19	1.95	1.91	--
November	1.11	1.20	1.92	1.98	--
December	1.12	1.21	1.79	1.96	–

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